



OFFICE OF THE  
UTAH STATE AUDITOR

TO: Roger Beattie, Chair, Board of Trustees  
Utah State Fair Corporation

FROM: Jon Johnson, CPA, Audit Director  
Ariane Gibson, CPA, Audit Supervisor  
Travis Kartchner, CPA, Audit Staff  
Office of the Utah State Auditor

DATE: 07/19/2016

SUBJECT: **Required Communications - 2015 Audit of Utah State Fair Corporation**

AREA	COMMENTS
<p><b><u>Auditor's Responsibility under Generally Accepted Auditing Standards</u></b></p> <p>As stated in our engagement letter dated January 27, 2016, our responsibility, as described by professional standards, is to express opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.</p>	<p>We have issued an unmodified opinion on the State Fair Corporation's (the Corporation) financial statements for the year ended December 31, 2015.</p>
<p><b><u>Other Information in Documents Containing Audited Financial Statements</u></b></p> <p>Our financial statement audit opinion only relates to the financial statements and accompanying notes. However, we also review other information, such as Management's Discussion and Analysis, and perform limited procedures which consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We have not expressed an opinion or provided any assurance on the other information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.</p>	<p>Management's Discussion and Analysis and the required supplementary information pension schedules were reviewed and are consistent with the audited financial statements.</p> <p>Also, as a reminder, when audited financial statements and the auditor's report on those financial statements are included in other documents (such as bond official statements), auditing standards require that we read the other information in the documents to ensure the credibility of the audited financial statements are not undermined. We request that management inform us of instances when the audited financial statements will be included in other documents.</p>

<p><b><u>Planned Scope and Timing of the Audit</u></b></p> <p>We performed the audit according to the planned scope and timing previously communicated to you in the engagement letter.</p>	<p>The timing of the audit was approximately one month behind the original planned dates as specified in the engagement letter in order to allow extra time for the Corporation's financial statements to be prepared.</p>
<p><b><u>Qualitative Aspects of Accounting Practices</u></b></p> <p>Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Corporation are described in Note 2 to the financial statements.</p>	<p>The application of existing policies was not changed during the fiscal year ended December 31, 2015.</p> <p>We noted no transactions entered into by the Corporation during the year for which there is a lack of authoritative guidance or consensus.</p>
<p><b><u>Accounting Estimates</u></b></p> <p>Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.</p>	<p>Other than the estimates related to the pension liability, the Corporation did not have any significant estimates affecting the financial statements. The sensitivity of the pension liability estimate is discussed in note 8 to the financial statements.</p> <p>We evaluated the procedures, key factors, and assumptions used to develop the estimates and determined that they were reasonable in relation to the financial statements taken as a whole.</p>
<p><b><u>Disclosures</u></b></p> <p>The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are noteworthy because of their significance to financial statement users.</p>	<p>The most sensitive disclosures affecting the financial statements were disclosures related to the implementation of new pension accounting standards associated with GASB statement numbers 68 and 71 (Note 2 &amp; Note 8).</p> <p>Also, subsequent event disclosures address the \$500,000 bank line of credit and the organizational and operational changes resulting from passage of SB173 during the 2016 general legislative session (Note 11).</p>

AUDIT	COMMENTS
<p><b><u>Management Representations</u></b> We requested certain representations from management.</p>	<p>These representations were included in the management representation letter dated June 10, 2016. A copy of the letter from management has been provided to the Board.</p>
<p><b><u>Difficulties Encountered in Performing the Audit</u></b> Professional standards require us to inform you of any significant difficulties encountered in dealing with management related to the performance of the audit.</p>	<p>We encountered no significant difficulties in dealing with management in performing and completing our audit.</p>
<p><b><u>Disagreements with Management</u></b> Professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report.</p>	<p>We are pleased to report that no such disagreements arose during the course of our audit.</p>
<p><b><u>Management Consultations with Other Independent Accountants</u></b> In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.</p>	<p>To our knowledge, there were no such consultations with other accountants.</p>
<p><b><u>Corrected and Uncorrected Misstatements</u></b> Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.</p>	<p>See the following list for all audit adjustments identified in the 2015 audit. Note that all proposed adjustments were booked.</p>

FINDINGS	COMMENTS																																													
<table><tr><td><b><u>Audit Adjustments</u></b></td><td><u>Debit</u></td><td><u>Credit</u></td></tr><tr><td>Unearned Revenue</td><td>\$66,599</td><td></td></tr><tr><td>Accounts Payable</td><td>3,000</td><td></td></tr><tr><td>Accounts Receivable, net</td><td></td><td>\$69,599</td></tr><tr><td colspan="3"><i>To reverse unearned revenues and accounts receivable related to refundable fees for future events.</i></td></tr><tr><td>Rentals and Fees - Fair Income</td><td>\$ 75,000</td><td></td></tr><tr><td>Admission Income</td><td></td><td>\$75,000</td></tr><tr><td colspan="3"><i>To reclassify a portion of rental and fee income more consistently represented as admission income.</i></td></tr><tr><td>Notes and Capital Leases</td><td>\$15,802</td><td></td></tr><tr><td>Unclaimed property liability</td><td></td><td>\$15,802</td></tr><tr><td colspan="3"><i>To reclassify to unclaimed property liability to more accurately reflect the possibility of escheatment of these amounts.</i></td></tr><tr><td>Professional Entertainment Expense</td><td>\$150,000</td><td></td></tr><tr><td>Contractual and Technical Services Expense</td><td></td><td>\$150,000</td></tr><tr><td colspan="3"><i>To reclassify entertainment expense to appropriate expense line</i></td></tr><tr><td colspan="3"><i>*All entries noted above were booked</i></td></tr></table>	<b><u>Audit Adjustments</u></b>	<u>Debit</u>	<u>Credit</u>	Unearned Revenue	\$66,599		Accounts Payable	3,000		Accounts Receivable, net		\$69,599	<i>To reverse unearned revenues and accounts receivable related to refundable fees for future events.</i>			Rentals and Fees - Fair Income	\$ 75,000		Admission Income		\$75,000	<i>To reclassify a portion of rental and fee income more consistently represented as admission income.</i>			Notes and Capital Leases	\$15,802		Unclaimed property liability		\$15,802	<i>To reclassify to unclaimed property liability to more accurately reflect the possibility of escheatment of these amounts.</i>			Professional Entertainment Expense	\$150,000		Contractual and Technical Services Expense		\$150,000	<i>To reclassify entertainment expense to appropriate expense line</i>			<i>*All entries noted above were booked</i>			
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This information is intended solely for the use of the Board and management of the Corporation and is not suitable for any other purpose.

# UTAH STATE FAIR CORPORATION

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Government Auditing Standards Report  
For the Year Ended December 31, 2015

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Report No. 15-48



OFFICE OF THE  
UTAH STATE AUDITOR

# UTAH STATE FAIR CORPORATION

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Government Auditing Standards Report  
For the Year Ended December 31, 2015

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Report No. 15-48

AUDIT LEADERSHIP:

Jon Johnson, CPA, Audit Director  
Ariane Gibson, CPA, Audit Supervisor  
Travis Kartchner, CPA Audit Staff

**UTAH STATE FAIR CORPORATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

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OFFICE OF THE  
UTAH STATE AUDITOR

INDEPENDENT STATE AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors  
and  
Larry Mullenax, Executive Director  
Utah State Fair Corporation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Utah State Fair Corporation (Corporation), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated June 10, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or to detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weakness or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control, described in the accompanying



schedule of findings and recommendations as Findings 1 and 2, that we consider to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Corporation's Responses to Findings**

The Corporation's responses to the findings identified in our audit are described in the accompanying schedule of findings and recommendations. The Corporation's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Office of the Utah State Auditor*

June 10, 2016

# **UTAH STATE FAIR CORPORATION**

## **FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED DECEMBER 31, 2015**

### **1. INADEQUATE CASH RECEIPTING INTERNAL CONTROLS**

The State Fair Corporation (Corporation) does not have adequate internal controls to ensure the accurate recording of cash receipts for the annual state fair. Cash receipts for admissions to the fair are collected by several ticket sellers at various points of sale. When ticket sellers close out their registers, they each complete a "daily ticket seller settlement sheet" (settlement sheet) which is submitted, along with the cash receipts collected that day, to the Corporation's cash room safe. At the end of each day, the Corporation summarizes the settlement sheets from all ticket sellers on a daily gate admissions cash reconciliation. We noted the following weaknesses related to the Corporation's cash receipting processes and internal controls:

- a. We selected one daily settlement sheet from one ticket seller. This settlement sheet total could not be directly traced through the daily gate admissions cash reconciliations to a bank deposit or to the general ledger. Also, the daily gate admissions cash reconciliation did not accurately reflect actual cash deposits for the day.
- b. As a result of the error noted above, we expanded our testwork and reviewed 11 daily gate admissions cash reconciliations. For two of the 11 cash reconciliations reviewed, the beginning balance did not match the ending balance of the prior day.
- c. The Corporation did not document the deposits of non-ticket cash receipts in the cash room safe.
- d. The Corporation wrote checks to two vendors, totaling \$74,500, but then immediately cashed the checks for the vendors from the gate admissions cash change fund without documenting the transactions in the daily gate admissions cash reconciliations. State accounting policy (FIACCT 05-23.02) stipulates that cash change funds should not to be used for making any expenditures, cashing employee personal or payroll checks, and making loans (IOUs) to employees or others. While the Corporation is not required to follow state policy, we consider making disbursements to vendors from cash collections to be inappropriate and subject to abuse.
- e. The Corporation maintained what we consider to be an excessive amount of cash-on-hand in the gate admissions cash change fund during the annual state fair, which can lead to misuse and theft of funds.
- f. The Corporation did not deposit cash on a daily basis during the peak cash collecting days of the annual state fair. *Utah Code 51-4-1* requires that "...each agency shall deposit daily, if practicable, but no later than once every three banking days, all collections of state money and other public funds...." We were able to determine that the deposits during the annual state fair were made at least every three banking days; however, we believe the Corporation should make deposits on a daily basis during this peak time due to the large amount of cash collected.

Upon further investigation of the issues noted above, we were ultimately able to determine that there were no missing cash receipts for the settlement sheets and cash reconciliations reviewed. However, inadequate internal controls over cash handling, including inaccurate reconciliations

## **UTAH STATE FAIR CORPORATION**

### **FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED DECEMBER 31, 2015**

between the daily gate admissions cash reconciliations and the daily deposit totals, as well as insufficient documentation of cash exchanges in and out of the cash room safe, could result in misappropriation of cash.

Furthermore, we noted that the Corporation has not established written policies regarding cash handling procedures and internal controls. Formal written cash receipting policies and procedures would help mitigate the potential for the abuse and misappropriation of annual state fair revenues.

#### **Recommendation:**

**We recommend the Corporation improve cash receipting internal controls by establishing written cash receipting policies and procedures. Among other sound internal control policies over cash receipting, the written procedures should ensure the following:**

- **All cash receipts are reconciled, summarized, and deposited in the bank on a daily basis during the annual state fair.**
- **Daily cash receipting totals, which agree to daily deposits, are recorded in the general ledger.**
- **Cash change funds are maintained at reasonable amounts as established by policy.**
- **Deposits of other cash receipts in the cash room safe are subject to appropriate internal controls and reconciled daily.**

#### **Corporation's Response:**

*The audit performed by the Utah State Auditor's Office occurred April 2016 thru June 2016. Utah State Fair Corporation (USFC) worked to ensure that clear and accurate information was provided to the Utah State Auditor's Office. While much of the information included in this report accurately represents the financial activities of the USFC, it is the USFC position that certain paragraphs in the report could be easily misinterpreted leading readers to believe that financial oversight is absent.*

*Although the audit revealed opportunities for improvement, it is very important to mention that the audit clearly specifies that all cash receipts were located and all monies were accounted for.*

- a. Our current process is for each booth to make a daily deposit to our Fairpark safe, subsequently the monies are combined with cash and checks from other booths for deposit into the bank. This procedure will be modified in 2017 and will be consistent with the recommendations of the State Auditor's Office.*
- b. The aforementioned change in our cash handling procedures will prevent future "human" error, and dual signature acknowledgement will be required eliminating mental errors.*

## **UTAH STATE FAIR CORPORATION**

### **FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED DECEMBER 31, 2015**

- c. Revenue generated from parking is placed into the safe each night for security. Future deposits of parking revenue will be aligned with the recommendations of the Utah State Auditor's office.*
- d. It is a common practice for Fair and Carnival acts to demand payment in cash rather than payment by check. This method of business has been standard operating procedure for decades. For many reasons, none more important than the safety of our associates, the Utah State Fair will handle acts that require and demand payment in cash differently in the future. We have reached an agreement with Zions Bank to manage any cash transaction on our behalf at their 650 North Redwood Road location.*
- e. The Fair generates substantial revenue over the weekend which leads to large amounts of cash on hand. Historically the Fairpark has not scheduled weekend service with Zions bank.*
- f. The USFC [Corporation] was compliant with Utah Code 51-4-1 each agency shall deposit daily if practical, but no later than every 3 banking days. This "Opinion" was included in the aforementioned paragraph.*

*The USFC is very responsive to change and readily embraces recommendations presented to the Corporation from the Utah Legislature, Office of the Legislative Auditor General and the Utah State Auditor's office. A thorough and detailed cash management policy will be developed and implemented immediately.*

## **2. INADEQUATE INTERNAL CONTROLS OVER FINANCIAL STATEMENT PREPARATION**

The Corporation does not have sufficient internal controls over the financial statement preparation process to ensure the financial statements are prepared in accordance with generally accepted accounting principles. As a result, multiple audit adjustments were proposed during the audit. These adjustments included an adjustment to accounts receivable to remove invalid receivables, reclassifications of revenue and expense transaction totals, as well as adjustments to the cash flow statement and notes to the financial statements.

Management is responsible for establishing internal controls to ensure transactions are accurately captured and financial statements are accurately presented. The above errors occurred because of turnover in key financial reporting positions and unfamiliarity with the Corporation's financial reporting process and all necessary financial statement adjusting entries for the Corporation.

### **Recommendation:**

**We recommend that the Corporation improve internal controls over financial reporting to ensure the accuracy and propriety of the Corporation's activities and financial position as reported in the Corporation's financial statements.**

## **UTAH STATE FAIR CORPORATION**

### **FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED DECEMBER 31, 2015**

#### **Corporation's Response:**

*Additional levels of internal controls and review will be implemented ensuring that our financial statements are consistent with the expectations of the Office of the Utah State Auditor.*

*The Utah State Fair Corporation acknowledges that opportunities for improvement are present, not unlike any other business. Progressive action will be taken ensuring that we continue to drive improvement and achieve our goal of long term sustainable growth.*

*The USFC appreciates the support of the Governor Office, the Legislature, and the Office of the Utah State Auditor.*

# UTAH STATE FAIR CORPORATION

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Annual Financial Report  
For the Year Ended December 31, 2015

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Report No. 15-49



OFFICE OF THE  
UTAH STATE AUDITOR

# UTAH STATE FAIR CORPORATION

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Annual Financial Report  
For the Year Ended December 31, 2015

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Report No. 15-49

## AUDIT LEADERSHIP:

Jon Johnson, CPA, Audit Director  
Ariane Gibson, CPA, Audit Supervisor  
Travis Kartchner, CPA, Audit Staff

# **UTAH STATE FAIR CORPORATION**

## **ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2015**

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OFFICE OF THE  
**UTAH STATE AUDITOR**

**INDEPENDENT STATE AUDITOR'S REPORT**

To the Board of Directors  
and  
Larry Mullenax, Executive Director  
Utah State Fair Corporation

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Utah State Fair Corporation (the Corporation), a component unit of the State of Utah, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Utah State Fair Corporation as of December 31, 2015, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

For calendar year 2015, the Corporation implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As a result of these required changes in accounting principle, the Corporation recorded a \$315,390 reduction in beginning net position. The amounts reported for ending net position reflect the newly required net pension assets, deferred outflows of resources, net pension liabilities, and deferred inflows of resources related to the Corporation's participation in defined benefit retirement systems. See Notes 2 and 3 for further information. Our opinion for the Corporation is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 7 and the schedules of proportionate share of net pension liabilities and pension contributions on pages 24 and 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2016 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

*Office of the Utah State Auditor*

June 10, 2016

## **UTAH STATE FAIR CORPORATION**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015**

As management of the Utah State Fair Corporation (Corporation), we offer the readers of the following basic financial statements this narrative overview and analysis of the financial activities of the Corporation for the year ended December 31, 2015.

#### **FINANCIAL HIGHLIGHTS**

- Total assets of \$996,958 are comprised of \$497,776 in cash and cash equivalents, \$411,846 in capital assets, and \$87,336 in other assets.
- The year ended December 31, 2015 had an increase in net position of \$118,752, prior to adjusting for GASB 68 implementation, in comparison to the decrease of \$120,185 for the year ended December 31, 2014. The recording of the Corporation's share of pension liabilities, as required by Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* (See Footnote 8), resulted in a decrease in net position of \$315,390.

This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements. The Corporation's basic financial statements consist of Financial Statements and the Notes to the Financial Statements.

*Financial Statements* are designed to provide the readers with a broad overview of the Corporation's finances in a comparable basis to a private-sector business.

- The *Statement of Net Position* presents the information on all of the Corporation's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as *net position*. Over time, increases or decreases in the net position may serve as an indicator of whether the financial position of the Corporation is improving or deteriorating. However, other nonfinancial factors should also be considered.
- The *Statement of Revenues, Expenses, and Changes in Net Position* presents information on the revenues and expenses of conducting operations. The statement also presents information on the net position of the Corporation as affected by the operations during the year.
- The *Statement of Cash Flows* presents information about the cash flows of the Corporation during the year. The statement reconciles the operating income or loss to the net cash provided or used by operating activities.

*The Notes to the Financial Statements* are designed to provide detailed information about specific policies, accounts, and transactions to the reader for a better understanding of how the Corporation functioned during the year.

## **UTAH STATE FAIR CORPORATION**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015**

#### **FINANCIAL ANALYSIS**

As noted earlier, the net position may serve over time as a useful indicator of the Corporation's financial position. The Corporation's assets exceeded its liabilities by \$227,537 as of December 31, 2015.

Because the Corporation entered into a lease with the State of Utah, the land and buildings are still owned by the State. Therefore, those assets do not appear on the Corporation's Statement of Net Position. Capital improvements made by the Corporation to the grounds and buildings are recorded as leasehold improvements. Most of the current assets of the Corporation are held in cash or cash equivalents to provide for the current operating expenses of conducting the annual Utah State Fair and rental operations during non-fair times.

#### **CONDENSED STATEMENT OF NET POSITION**

	<u>12/31/2015</u>	<u>12/31/2014*</u>
<b>ASSETS</b>		
Current and other assets	\$ 585,112	\$ 240,511
Capital assets	411,846	601,481
Total assets	<u>996,958</u>	<u>841,992</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>123,845</u>	<u>-</u>
<b>LIABILITIES</b>		
Current liabilities	393,082	332,457
Noncurrent liabilities	376,339	-
Total liabilities	<u>769,421</u>	<u>332,457</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>38,485</u>	<u>-</u>
<b>NET POSITION</b>		
Net investment in capital assets	411,846	597,876
Restricted	15,657	12,496
Unrestricted	(114,606)	(100,837)
Total net position	<u>\$ 312,897</u>	<u>\$ 509,535</u>

\* The 2014 amounts presented here do not reflect the prior period adjustments discussed in Note 2

Total assets increased by \$154,966 during the year ended December 31, 2015. Capital asset book values decreased by \$189,635 due to depreciation on major improvements to Fairpark Buildings in 2015. Cash also increased by \$334,991 and will be used to carry the Corporation through to the 2016 annual state fair.

Accounts payable increased \$85,963 due to bills being presented for payment after the end of the year. Total liabilities increased by \$436,964 during the year ended December 31, 2015. \$376,339 of this increase was due to the required recording of the Corporation's share of net pension liability, as required by Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*.

# UTAH STATE FAIR CORPORATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015

Approximately 5 percent of the net position represents resources that are subject to external restrictions on how they may be used. The unrestricted net position at December 31, 2015 is a deficit of \$114,606.

### CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	Year Ended	
	12/31/2015	12/31/2014*
<b>REVENUES</b>		
Admissions	\$ 1,392,128	\$ 1,483,508
Rentals and fees – state fair	1,024,097	1,009,828
Building rentals – non-fair	507,553	482,294
Parking	353,296	284,736
Sponsorships	178,495	145,052
Leases and concessions – non-fair	29,498	52,111
Other	84,141	54,150
State Appropriation	675,100	1,106,400
Total Revenues	<u>4,244,308</u>	<u>4,618,079</u>
<b>EXPENSES</b>		
Salaries, wages and benefits	1,312,612	1,511,865
Actuarial determined pension expense	89,294	-
Travel	15,360	17,196
Advertising	354,522	412,174
Contractual and technical services	623,926	976,269
Professional Entertainment	276,013	329,006
Exhibit awards and premiums	203,748	167,977
Maintenance and grounds	375,346	412,515
Other operating	155,248	154,965
Utilities	325,556	347,396
Insurance	69,321	63,732
Other administrative	89,878	86,482
Depreciation	228,810	224,051
Interest and bank processing fees	5,922	34,636
Total Expenses	<u>4,125,556</u>	<u>4,738,264</u>
<b>INCREASE/(DECREASE) IN NET POSITION</b>	118,752	(120,185)
<b>TOTAL NET POSITION – BEGINNING</b>	509,535	629,720
<b>Adjustment to Beginning Net Position</b>	<u>(315,390)</u>	-
<b>TOTAL NET POSITION – BEGINNING (Restated)</b>	<u>194,145</u>	-
<b>TOTAL NET POSITION – ENDING</b>	<u>\$ 312,897</u>	<u>\$ 509,535</u>

\* The 2014 amounts presented here do not reflect the prior period adjustments discussed in Note 2.

## **UTAH STATE FAIR CORPORATION**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015**

Although Corporation revenues decreased by \$373,771 from the previous year, Corporation expenses decreased by \$612,708 compared to 2014. A large portion of the expense decrease was a \$52,993 reduction due to eliminating concerts and related professional entertainment expenses and a \$352,343 reduction of contractual and technical services. Specifically, the Corporation implemented departmental budgets which contributed to a more efficient use of its resources. The Corporation experienced a decrease in payroll expense of \$109,959, the majority of which was attributable to the absence of an executive director during a portion of the year. There was also a \$37,169 decrease in maintenance and grounds expenses. A majority of this decrease is attributable to the same issues that caused the decrease in contractual and technical services.

The Corporation is a business-type entity and does not have any taxing authority. The Corporation depends upon revenues from services provided, sponsorships for the annual state fair, and an appropriation from the Utah State Legislature as its principal sources of revenue. In the year ended December 31, 2015, the Corporation generated 84 percent of its own revenue and the Utah State Legislature provided 16 percent of the revenue. In 2014, the Corporation generated 76 percent of its own revenue and the Utah State Legislature provided 24 percent.

Amounts appropriated by the Legislature for the Corporation vary from year to year. The Corporation received \$1,106,400 from state appropriations in 2014 and \$675,100 in 2015. During the 2014 legislative session, the Corporation requested and was granted through H.B. 2 a one-time appropriation of \$600,000 to assist the Corporation to meet necessary operating expenses until the 2014 Utah State Fair.

Because budget requests are subject to the Governor's budget action and legislative action, the Corporation's annual budget is made with assumptions for the upcoming session. We expect that future appropriations will also be subject to this type of fluctuation.

The Corporation renewed the line of credit (LOC) at Zions Bank. The amount of the LOC was for a limit not to exceed \$250,000. The purpose for the LOC was to assist the Corporation in maintaining seasonal operations until the appropriation for July was received from the State. Due to the strong cash position during 2015, we only used the LOC once for \$50,000 and paid it back in 10 days minimizing our interest expense.

During the 2016 legislative general session, the Legislature passed S.B. 173 which will have organizational and operational impacts on the Corporation. See Note 11 for additional information.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

The Corporation has a lease with the State of Utah for the use of the Fairpark grounds. The State of Utah owns the land and buildings situated at the Fairpark. The Corporation has made improvements to the buildings, grounds, and equipment at the Fairpark since the inception of the lease. The improvements to the buildings and grounds are recorded as leasehold improvements.

## **UTAH STATE FAIR CORPORATION**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015**

If the Corporation's lease were not renewed, the leasehold improvements would become property of the State of Utah. The board of directors of the Corporation has authorized leasehold improvements to upgrade the facilities and improve the looks of the Fairpark.

As mentioned above, the Corporation does not record state funded infrastructure such as land or buildings. However, capital projects initiated and funded by the Corporation are capitalized and depreciated, as discussed in the footnotes.

The Corporation installed fiber optic cables to most all of the ticket booths totaling \$34,425 and purchased a groomer attachment for \$4,750.

Total capital asset additions in 2015 were \$39,175.

#### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Corporation's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Utah State Fair Corporation, 155 North 1000 West, Salt Lake City, Utah 84116.

# **UTAH STATE FAIR CORPORATION**

## **STATEMENT OF NET POSITION DECEMBER 31, 2015**

### **ASSETS**

#### **Current assets**

Cash and cash equivalents (Notes 2 and 3)	\$ 497,776
Accounts receivable, net (Note 2)	16,797
Accounts receivable -- State of Utah	368
Prepaid expenses	68,197
Total current assets	<u>583,138</u>

#### **Noncurrent assets**

##### **Capital assets**

Leasehold improvements	1,552,145
Furniture and fixtures	119,763
Machinery and equipment	951,961
Vehicles	262,895
Less accumulated depreciation	<u>(2,474,918)</u>
Capital assets, net (Note 4)	411,846
Net pension assets (Note 8)	1,974
Total noncurrent assets	<u>413,820</u>

Total assets	<u>996,958</u>
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### **DEFERRED OUTFLOWS OF RESOURCES**

Deferred Outflows of Resources relating to Pensions (Note 8)	<u>123,845</u>
Total Deferred Outflows of Resources	<u>123,845</u>

### **LIABILITIES**

#### **Current liabilities**

Accounts payable (Note 2)	253,301
Wages payable	23,088
Vacation payable	21,330
Sick leave liability	13,837
Payroll taxes payable	14,483
Retirement fund payable	9,314
Unearned revenue	38,455
Unclaimed property liability	19,274
Total current liabilities	<u>393,082</u>

#### **Noncurrent liabilities**

Net pension liability (Note 8)	<u>376,339</u>
Total noncurrent liabilities	<u>376,339</u>
Total liabilities	<u>769,421</u>

### **DEFERRED INFLOWS OF RESOURCES**

Deferred Inflows of Resources relating to Pensions (Note 8)	<u>38,485</u>
Total Deferred Inflows of Resources	<u>38,485</u>

### **NET POSITION**

Net investment in capital assets	411,846
Restricted -- expendable	
Livestock	15,657
Unrestricted	<u>(114,606)</u>
Total net position	<u>\$ 312,897</u>

*The accompanying notes are an integral part of these financial statements.*



## **UTAH STATE FAIR CORPORATION**

### **STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEAR ENDED DECEMBER 31, 2015**

#### **OPERATING REVENUES**

Admissions	\$ 1,392,128
Rentals and fees – state fair	1,024,097
Building rentals – non-fair	507,553
Parking	353,296
Sponsorships	178,495
Leases and concessions – non-fair	29,498
Miscellaneous income	83,389
Total operating revenues	<u>3,568,456</u>

#### **OPERATING EXPENSES**

Salaries, wages and benefits	1,312,612
Actuarial determined pension expense (Note 8)	89,294
Travel	15,360
Advertising	354,522
Contractual and technical services	623,926
Professional entertainment	276,013
Exhibit awards and premiums	203,748
Maintenance and grounds	375,346
Other operating	155,248
Utilities	325,556
Insurance	69,321
Other administrative	89,878
Depreciation	228,810
Bank and processing fees	5,520
Total operating expenses	<u>4,125,154</u>
Net operating loss	<u>(556,698)</u>

#### **NONOPERATING REVENUES/(EXPENSES)**

State appropriation	675,100
Interest income	752
Interest expense	(402)
Total nonoperating revenues	<u>675,450</u>

#### **INCREASE/(DECREASE) IN NET POSITION**

118,752

#### **TOTAL NET POSITION – BEGINNING**

509,535

#### **Prior Period Adjustment (Note 2)**

(315,390)

#### **ADJUSTED NET POSITION – BEGINNING**

194,145

#### **TOTAL NET POSITION – ENDING**

\$ 312,897

*The accompanying notes are an integral part of these financial statements.*

# **UTAH STATE FAIR CORPORATION**

## **STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2015**

<b>Cash Flows from Operating Activities</b>	
Receipts from Customers	\$ 3,587,060
Payments to Suppliers	(2,480,365)
Payments for Employee Services and Benefits	(1,404,374)
Net Cash Used by Operating Activities	<u>(297,679)</u>
<b>Cash Flows from Noncapital Financing Activities</b>	
Appropriations from the Utah State Legislature	675,100
Net Cash Provided by Noncapital Financing Activities	<u>675,100</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Acquisition of Capital Assets	(39,175)
Principal Payments on Capital Asset Financing	(3,605)
Interest Payments on Capital Asset Financing	(402)
Net Cash Used by Capital and Related Financing Activities	<u>(43,182)</u>
<b>Cash Flows from Investing Activities</b>	
Receipts of Interest from Investments	752
Net Cash Provided by Investing Activities	<u>752</u>
Net Increase in Cash and Cash Equivalents	334,991
Beginning Cash and Cash Equivalents	162,785
Ending Cash and Cash Equivalents	<u>\$ 497,776</u>
<b>Reconciliation of Net Operating Loss to Net Cash Used by Operating Activities</b>	
Net Operating Loss	\$ (556,698)
Adjustments to Reconcile Net Operating Loss to	
Net Cash Used by Operating Activities:	
Difference between Actuarial Pension Expense and Actual Contributions	(26,385)
Depreciation	228,810
Changes in Assets and Liabilities:	
Accounts Receivable	14,810
Due from Related Entities	4,414
Other Assets	(26,860)
Accounts Payable and Other Liabilities	56,415
Due to Related Entities	7,815
Net Cash Used by Operating Activities	<u>\$ (297,679)</u>

*The accompanying notes are an integral part of these financial statements.*

## **UTAH STATE FAIR CORPORATION**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015**

#### **NOTE 1. ORGANIZATION AND NATURE OF BUSINESS**

The Utah State Fair Corporation (Corporation) was created on July 1, 1995 by action of the Utah State Legislature (*Utah Code*, Section 63H-6-101 through 63H-6-107) as a public, nonprofit corporation. The Corporation was established to plan expositions of livestock, poultry, agriculture, domestic science, horticulture, floriculture, mineral and industry, manufactured articles, and domestic animals to stimulate and promote livestock breeding, agriculture, horticulture, mining, manufacturing, mechanical arts, creative arts, and educational pursuits of the people of Utah. The Corporation was also charged with the responsibility to provide, sponsor, and arrange for public entertainment, displays, and exhibits and publicize and promote the various events, securing funds to cover the cost of the exhibits from private contributions and public appropriations, admission charges, and by other lawful means.

The Corporation is governed by a board of directors appointed by the governor with the advice and consent of the Senate. The board hires an executive director who serves at the pleasure of the board and may be terminated by the board at will.

The Corporation is a 501(c)(3) organization as determined by the Internal Revenue Service.

For financial reporting purposes, the Corporation is a discrete component unit of the State of Utah.

#### **Economic Dependence**

The Corporation has significant economic dependence on the State of Utah to support continuing operations through general fund appropriations. The appropriation received during the year ended December 31, 2015 was \$675,100.

In addition, the Corporation leases the Fairpark land and buildings from the State for a nominal fee. The current lease terminates June 30, 2017. Because the State owns the land and buildings of the Fairpark, the State is primarily responsible to fund maintenance of the buildings and infrastructure, and the Corporation is dependent on the State to fund such maintenance. A significant amount of deferred maintenance exists for the buildings and infrastructure at the Fairpark as defined in the State Division of Facilities Construction and Management's (DFCM) Utah State Fairpark Masterplan report presented in July of 2014. Per the DFCM Masterplan report, \$33 million over the next 20 years is needed to maintain the facilities at the Fairpark.

## **UTAH STATE FAIR CORPORATION**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015**

#### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Basis of Accounting**

The accounting and reporting policies of the Corporation conform with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The Corporation uses the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when incurred. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the Corporation are included on the Statement of Net Position. In addition, the Corporation applies all GASB pronouncements.

The Corporation distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from conducting the annual state fair and building rental operations during non-fair times. The principal operating revenues of the Corporation are admissions, rentals, fees, and sponsorships. Operating expenses for the Corporation include various expenses from conducting the annual state fair, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Corporation's policy to use restricted resources first, then unrestricted resources as they are needed.

##### **Financial Statement Presentation**

The reporting period for the Corporation is the calendar year. The Corporation's financial statements for the year ended December 31, 2015 will be included in the State of Utah's *Comprehensive Annual Financial Report (CAFR)* for the fiscal year ended June 30, 2016 as a discrete component unit of the State of Utah.

##### **Cash and Cash Equivalents**

For purposes of reporting cash flows, cash and cash equivalents include cash, deposits, and short-term, highly liquid investments with original maturities of less than three months. The Corporation invests in the Utah Public Treasurers' Investment Fund (PTIF), an external investment pool managed by the State Treasurer. PTIF investments are considered cash equivalents.

##### **Restricted Cash**

Both the operating account and the junior livestock auction account receive contributions that have been restricted based on the contributors' wishes. The amounts received in the operating account during the period under audit were restricted for use in paying awards

## **UTAH STATE FAIR CORPORATION**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015**

and premiums, constructing special exhibits, and conducting the rodeo at the annual state fair, as well as conducting other events at the Fairpark.

The contributions received in the junior livestock auction account are restricted for use in the junior livestock auction conducted during the annual fair and for auction committee expenses.

#### **Accounts Receivable and Allowance for Doubtful Accounts**

Accounts receivable are primarily made up of receivable contracts for facility rentals by the State of Utah or private functions that are owed at December 31, 2015. The Statement of Net Position reflects the receivables, net of a \$3,587 allowance for doubtful accounts.

#### **Accounts Payable**

Accounts payable primarily includes payables to the Corporation's vendors and the State of Utah. The payables to related-parties represent amounts owed to the State of Utah-Department of Technology Services in the amount of \$20,764 and the Third District Juvenile Court in the amount of \$7,885.

#### **Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement Systems (URS) Pension Plan, and additions to/deductions from URS's fiduciary net position have been determined on the same basis as they are reported by URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### **Adjustment to Beginning Net Position**

Effective January 1, 2015, the Corporation implemented GASB Statement Number 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This implementation resulted in a reduction of the beginning net position of the Corporation of \$315,390. The reduction represents the Corporation's \$433,100 share of the beginning net pension liability, and the Corporation's \$117,710 of contributions made between January 1, 2014 and December 31, 2014, for its current and former employees through its pension provider, the Utah Retirement Systems. See Note 8 for further information on pension reporting.

## **UTAH STATE FAIR CORPORATION**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015**

#### **NOTE 3: DEPOSITS AND INVESTMENTS**

*Utah Code*, Section 63H-6-103(7)(a)(b) states that “the corporation is exempt from...Title 51, Chapter 7, State Money Management Act,” but that “the board shall adopt policies parallel to and consistent with...Title 51, Chapter 7, State Money Management Act.” The board of directors and management of the Corporation have authorized investments in financial instruments that are commonly used by state agencies, such as the Utah Public Treasurers’ Investment Fund (PTIF), and in qualified depositories as defined by the Money Management Act.

##### *Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that, in the event of a bank failure, the Corporation’s deposit may not be returned to it. The Corporation does not have a formal deposit policy for custodial credit risk. As of December 31, 2015, \$275,114 of the Corporation’s bank balance was uninsured and uncollateralized.

##### Investments

The Utah State Treasurer’s Office operates the PTIF. The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the State Money Management Act (Act), *Utah Code*, Section 51-7. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses of the PTIF, net of administration fees, are allocated based upon the participant’s average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of December 31, 2015, the Corporation had \$7,761 invested in the PTIF, which is unrated and has maturities less than 1 year.

##### *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Corporation’s policy for managing its exposure to fair value loss arising from increasing interest rates is to follow procedures consistent with the Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers’ acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270

## **UTAH STATE FAIR CORPORATION**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015**

days—15 months or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 3 years.

#### *Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Corporation's policy for reducing its exposure to credit risk is to invest in the authorized investments, as previously discussed.

#### **NOTE 4: CAPITAL ASSETS**

As explained in Note 1, the land and buildings of the Fairpark are owned by the State of Utah and leased by the Corporation. Maintenance and improvements funded by the State through the Division of Facilities Construction and Management are not reflected in the financial statements of the Corporation. Maintenance and capital improvements funded by the Corporation are reported in the financial statements as expenses and leasehold improvements, respectively.

Capital assets are recorded at historical cost. Donated assets are valued at their estimated fair value at the date of donation. The useful lives of the assets vary between 3 and 21 years based on the type of asset and whether it is a leasehold improvement. A salvage value is assigned to each asset varying from 0 to 16 percent based on the type of the asset. Except for leasehold improvements, depreciation is calculated on a straight-line basis on the depreciable basis for the useful life of the asset. Depreciation for leasehold improvements is calculated on a straight-line basis on the depreciable basis for the lesser of the length of the Fairpark lease or the useful life of the asset. Assets placed in service through the 15th of the month are depreciated from the beginning of the month in which they are placed in service. Assets placed in service after the 15th of the month are depreciated at the beginning of the next month.

The capitalization policy for the Corporation is to capitalize those assets with costs exceeding \$3,000 and a useful life greater than 1 year.

Depreciation for the period ended December 31, 2015 was \$228,810.

# UTAH STATE FAIR CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

	Balance at 12/31/2014	Additions	Deletions	Balance at 12/31/2015
<b>Capital Assets:</b>				
Leasehold improvements	\$ 1,517,720	\$ 34,425	\$ -	\$ 1,552,145
Furniture and fixtures	119,763	-	-	119,763
Machinery and equipment	868,423	4,750	-	873,173
Capital leases – equipment	78,788	-	-	78,788
Vehicles	193,718	-	-	193,718
Capital leases – vehicles	69,177	-	-	69,177
Total	2,847,589	39,175	-	2,886,764
<b>Accumulated Depreciation:</b>				
Leasehold improvements	1,066,866	187,129	-	1,253,995
Furniture and fixtures	77,559	12,670	-	90,229
Machinery and equipment	788,737	20,061	-	808,798
Capital leases – equipment	73,369	4,030	-	77,399
Vehicles	181,010	-	-	181,010
Capital leases – vehicles	58,567	4,920	-	63,487
Total Depreciation	2,246,108	228,810	-	2,474,918
Net Capital Assets	\$ 601,481	\$ (189,635)	\$ -	\$ 411,846
<b>Net Book Value:</b>				
Leasehold improvements				\$ 298,150
Furniture and fixtures				29,534
Machinery and equipment				64,375
Capital leases – equipment				1,389
Vehicles				12,708
Capital leases – vehicles				5,690
Total				\$ 411,846

### NOTE 5: CAPITAL LEASES

A lease agreement was entered into for truck equipment and is due in equal installments, including principal and interest. The last payment was due in June 2015 while the lease itself extends through June 2016.

	Balance at 12/31/2014	Additions	Reductions	Balance at 12/31/2015	Current Portion
Capital leases	\$ 3,605	\$ -	\$ 3,605	\$ -	\$ -



## **UTAH STATE FAIR CORPORATION**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015**

#### **NOTE 6: LINE OF CREDIT**

In March 2015, the State Fair Corporation renewed the line of credit for \$250,000. The purpose for the line of credit (LOC) was to assist the Corporation in maintaining operations until the annual state fair in September 2015 and was only used for a short period of time in June 2015. The Corporation repaid the LOC in June 2015 and it matured in March of 2016.

	Balance at 12/31/2014	Additions	Reductions	Balance at 12/31/2015
Line of Credit	\$ -	\$ 50,000	\$ 50,000	\$ -

#### **NOTE 7: DONATIONS**

##### **Nonmonetary Transactions**

Several entities donated services (e.g., advertising and equipment rentals) valued at \$33,940 to the Corporation for the annual state fair. These same entities also received benefits valued at \$17,078 from the Corporation (e.g., fair gate admission and entertainment admission). These services and benefits are recorded as revenues and expenses by the Corporation. The amount by which the value of services donated by the entities exceeded the value of benefits given to the entities is \$16,862, which is classified as "Sponsorships" operating revenue by the Corporation.

#### **NOTE 8: EMPLOYEE RETIREMENT PLANS**

As required by State law, eligible employees of the Corporation are covered by defined benefit plans or defined contribution plans sponsored by the Utah Retirement Systems (Systems).

The Systems are established and governed by the respective sections of *Utah Code*, Chapter 49. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds and are a component unit of the State of Utah. Chapter 49 of the *Utah Code* grants the authority to establish and amend the benefit terms. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems. A copy of the report may be obtained by writing to the Utah Retirement Systems at 560 East 200 South, Salt Lake City, UT 84102 or visiting the website [www.urs.org](http://www.urs.org).

# UTAH STATE FAIR CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

### Defined Benefit Plans

*Plan description:* Eligible plan participants are provided with pensions through the Public Employees Noncontributory Retirement System (Noncontributory System) and the Tier 2 Public Employees Contributory Retirement System (Tier 2 System) which are cost-sharing, multiple employer, public employee retirement systems.

The Tier 2 System was created July 1, 2011. All eligible employees who have no previous service credit with any of the Utah Retirement Systems prior to that date, are members of the Tier 2 System.

*Benefits provided:* The Systems provide retirement, disability, and death benefits. Retirement benefits are as follows:

System	Final Average Salary	Years of Service Required and/or Age Eligible for Benefit	Benefit Percent per Year of Service	COLA**
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Tier 2 System	Highest 5 years	35 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%

\* with actuarial reductions

\*\* All post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) increase for the year, although unused CPI increases not met may be carried forward to subsequent years.

*Contributions:* As a condition of participation in the Systems, employers are required to contribute certain percentages of salary and wages as authorized by statute and specified by the URS Board. Contributions are actuarially determined as an amount that is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates are as follows:

	<u>Employer Contribution Rates</u>
Noncontributory System	22.19%
Tier 2 System	18.24%

# UTAH STATE FAIR CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

For the period ended December 31, 2015, the Corporation contributed \$94,147 to the Noncontributory System and \$22,904 to the Tier 2 System.

At December 31, 2014, the Corporation's net pension asset and liability were as follows:

	<b>Proportionate Share</b>	<b>Net Pension Asset</b>	<b>Net Pension Liability</b>
Noncontributory System	0.01497850%	\$ -	\$ 376,339
Tier 2 System	0.06514480%	1,974	-
Total Net Pension Asset / Liability		<u>\$ 1,974</u>	<u>\$ 376,339</u>

The net pension asset and liability were measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2014 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability was based upon actual historical employer contributions to the plan from the census data submitted to the plan for pay periods ending in 2014. For the year ended December 31, 2015, pension expense of \$89,294 was recognized. At December 31, 2014, the Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 25,168
Changes in assumptions	-	13,317
Net difference between projected and actual earnings on pension plan investments	6,795	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	117,050	-
<b>Total</b>	<u><b>\$ 123,845</b></u>	<u><b>\$ 38,485</b></u>

The amount of \$117,050 was reported as deferred outflows of resources related to pensions resulting from contributions the Corporation made prior to fiscal year end but subsequent to the measurement date of December 31, 2014. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

# UTAH STATE FAIR CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

<u>Year Ended December 31,</u>	<u>Deferred Outflows of Resources</u>
2015	\$ (7,700)
2016	\$ (7,700)
2017	\$ (7,700)
2018	\$ (6,432)
2019	\$ (345)
Thereafter	\$ (1,813)

*Actuarial assumptions:* The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary Increases	3.50 - 10.50 percent, average, including inflation
Investment Rate of Return	7.50 percent, net of pension plan investment expense, including inflation

Active mortality rates are a function of the participant's gender, occupation, and age and are developed based upon plan experience. Retiree mortality assumptions are highlighted in the table below.

### **Retired Member Mortality**

Class of Participant

#### **Public Employees**

Men	RP 2000mWC (100%)
Women	EDUF (120%)

*EDUF = Constructed mortality table based on actual experience of female educators multiplied by given percentage*

*RP 2000mWC = RP 2000 Combined mortality tables for males with white collar adjustments multiplied by given percentage*

The actuarial assumptions used in the January 1, 2014 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2013.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

# UTAH STATE FAIR CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

<u>Expected Return Arithmetic Basis</u>			
<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Real Return Arithmetic Basis</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Equity Securities	40%	7.06%	2.82%
Debt Securities	20%	0.80%	0.16%
Real Assets	13%	5.10%	0.66%
Private Equity	9%	11.30%	1.02%
Absolute Return	18%	3.15%	0.57%
Cash & Cash Equivalents	0%	0.00%	0.00%
<b>Totals</b>	<b>100%</b>		<b>5.23%</b>
		<u>Inflation</u>	<u>2.75%</u>
		<u>Expected Arithmetic Nominal Return</u>	<u>7.98%</u>

The 7.5% assumed investment rate of return is comprised of an inflation rate of 2.75%, a real return of 4.75% that is net of investment expense.

*Discount rate:* The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. The long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. Detailed information about the pension plan's fiduciary net position is available in the separately issued URS financial report.

*Sensitivity of the proportionate share of the net pension asset and liability changes in the discount rate:* The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the proportionate share would be if calculated using a discount rate that is one percentage point lower (6.5 percent) or one percentage point higher (8.5 percent) than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
<b>Proportionate Share of Net Pension (Asset) / Liability</b>	\$ 764,313	\$ 374,365	\$ 49,160

## **UTAH STATE FAIR CORPORATION**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015**

#### **Defined Contribution Plans**

Retirement plan employees are also eligible to participate in deferred compensation 401(k) and 457 defined contribution plans. These plans are available as supplemental plans to the basic retirement benefits of the Systems and as a primary retirement plan for some Tier 2 System participants. Under certain IRS and plan restrictions, employees can make additional contributions.

For employees participating in defined benefit plans, the Corporation is also required to contribute 1.5-1.78 percent of the employee's salary into a 401(k)/457 plan. For employees who choose to participate in the Tier 2 defined contribution plan, the Corporation is required to contribute 18.24 percent of the employee's salary, of which 10 percent is paid into a 401(k)/457 plan while the remainder is contributed to the Tier 1 Contributory Public Employee System, as required by law. Employee and Employer contributions to the 401(k)/457 plans for the fiscal year ended December 31, 2015 were as follows:

<b><u>Defined Contribution System</u></b>	<b><u>Employee Paid Contributions</u></b>	<b><u>Employer Paid Contributions</u></b>
401(k) Plan	\$ 13,911	\$ 12,377*
457 Plan	\$ -	\$ -
Roth IRA Plan	\$ 5,500	\$ -
Traditional IRA Plan	\$ -	\$ -
HRA Plan	\$ -	\$ -

\* The employer paid contributions to the 401(k) Plan include the totals paid for employees enrolled in the Tier 2 Defined Contribution 401(k) Plan

#### **NOTE 9: RISK MANAGEMENT AND INSURANCE**

The Corporation is at risk for loss from general liability, property damage, and worker injury. The risk for general liability and property damage is handled by paying insurance premiums to the State of Utah Risk Management Fund. The risk for worker injury is handled by paying insurance premiums to the Workers Compensation Fund of Utah (WCF).

The right of the Corporation is to have legitimate claims paid by Risk Management and WCF. The responsibility of the Corporation is to conduct operations in a prudent and safe manner and make timely premium payments. The right of Risk Management and WCF is to have the Corporation pay its premiums and conduct operations in a prudent and safe manner. The responsibility of Risk Management and WCF is to pay legitimate claims promptly.

## **UTAH STATE FAIR CORPORATION**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015**

#### **NOTE 10: LITIGATION**

The Corporation is involved in various legal actions arising in the ordinary course of business. The Corporation is vigorously contesting all of these matters, but as of this date it is not possible to determine the outcome of these proceedings. In the opinion of legal counsel and management, the ultimate disposition of these matters will not have a material adverse effect on the Corporation's financial position.

#### **NOTE 11: SUBSEQUENT EVENTS**

On March 31, 2016, the Corporation opened a line of credit (LOC) at Zions Bank. The amount of the LOC is for a limit not to exceed \$500,000. The LOC matures on March 25, 2017. The purpose for the LOC is to assist the Corporation in maintaining seasonal operations until the annual state fair in September 2016. As of the report date, the Corporation has not drawn from the LOC.

During the 2016 Legislative General Session, the Legislature passed S.B. 173 which will have organizational and operational impacts on the Corporation. The bill amends the makeup of the board of directors by moving away from appointing members that represent each congressional district to a board consisting of members appointed from various industries. The bill also creates a new State Fairpark Committee to assist the board in the execution of the board's duty. Finally, the bill grants the Corporation the authority to issue revenue bonds and the ability to enter into one or more agreements to develop the Fairpark.

# **UTAH STATE FAIR CORPORATION**

## **REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2015**

### **Schedule of Proportionate Share of Net Pension Liabilities Noncontributory and Tier 2 Public Employees Systems of the Utah Retirement Systems December 31, 2014**

	<u>Noncontributory System</u>	<u>Tier 2 System</u>
Proportion of Net Pension Liability (Asset)	0.0149785%	0.0651448%
Proportionate Share of Net Pension Liability (Asset)	\$ 376,339	\$ (1,974)
Covered Payroll	\$ 296,134	\$ 319,817
Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Payroll	127.1%	-0.6%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	87.2%	103.5%

Note: The schedule above is only for the current year. The 10-year history will be built prospectively.



# UTAH STATE FAIR CORPORATION

## REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2015

### Schedule of Pension Contributions

### Noncontributory and Tier 2 Public Employees Systems of the Utah Retirement Systems December 31, 2015

	Noncontributory System	Tier 2 System
Contractually Required Contribution	\$ 94,147	\$ 22,904
Contributions in Relation to the Contractually Required Contribution	<u>94,147</u>	<u>22,904</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 296,440	\$ 275,304
Contributions as a Percentage of Covered Payroll	31.76%	8.32%

#### Notes to the Schedule of Contributions:

The schedule above is only for the current year. The 10-year history will be built prospectively.

This schedule reflects the legislative authorized rates and contributions for these systems. Statute requires participating Tier 2 employers to pay the corresponding non-Tier 2 system amortization rate of the employees compensation and that contribution is applied to the employer's non-Tier 2 system liability. This amortization is reflected in this schedule.